



## 2000 ANNUAL REPORT



SASKATCHEWAN GOVERNMENT  
GROWTH FUND V (1997) LTD.

# SGGFV

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

|                                                         |           |
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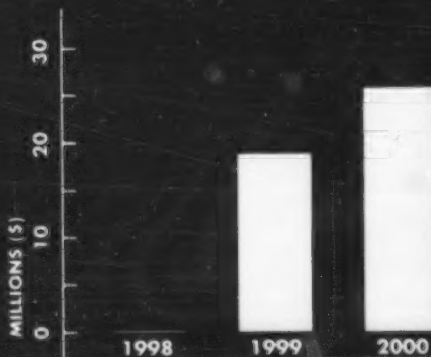
## FUND PROFILE

Saskatchewan Government Growth Fund V (1997) Ltd. ("SGGF V") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

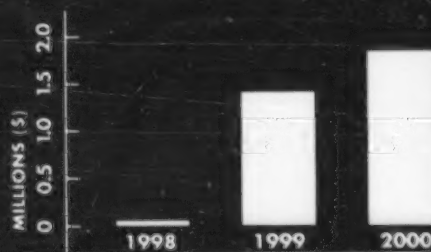
## FINANCIAL HIGHLIGHTS

SGGF V began commercial operations in 1998. During 2000, the fund was focused on continued investment of investor capital in Saskatchewan businesses and attracting the full subscription amount from the remaining subscribers to the fund.

- The fund ended the year with an accumulated surplus of \$1.3 million, an increase of \$400,000 over 1999.
- Income from investments was \$914,000, up significantly from 1999.
- Notes issued total 102 with a further 29 subscribers yet to complete their subscription requirements.
- To date, SGGF V has raised \$27.8 million from 131 investors.
- Since inception, over \$17 million of investments have been made in seven eligible businesses.

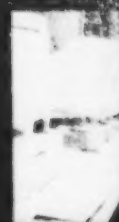


OBLIGATIONS TO INVESTORS



TOTAL REVENUE

Point North Digital Technologies Inc. Moore Manufacturing



## BOARD OF DIRECTORS AND OFFICERS

**Gary Benson**  
*President*



**Wilson Olive**  
*Chair*



**Darrel Cunningham**  
*Director*



**Gerald Edwards**  
*Director*



**Joanne Forer**  
*Director*



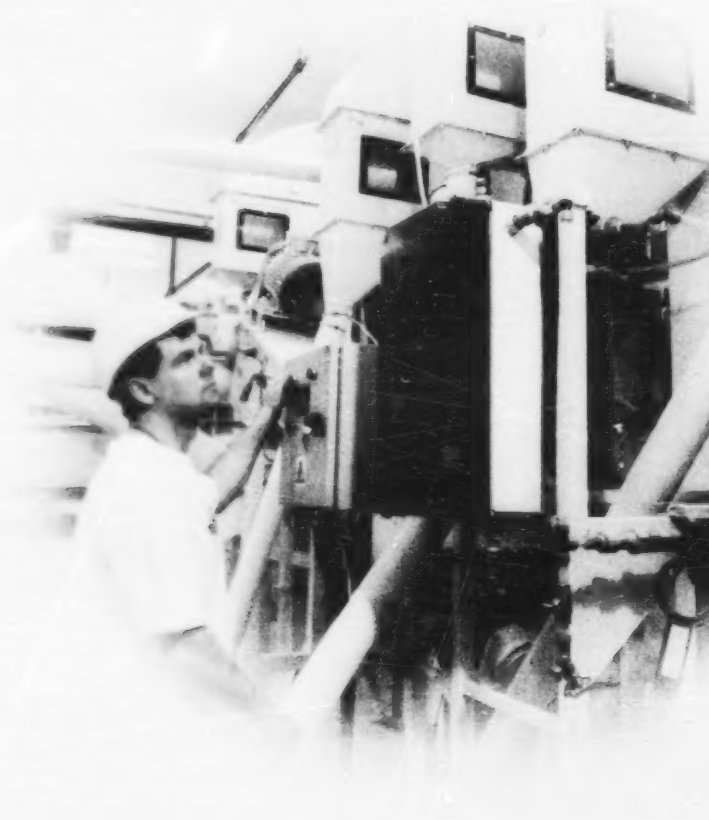
**Gordon Merkle**  
*Director*



**Keith Rissling**  
*Director*



**Grant Scharfstein**  
*Director*



## MESSAGE TO INVESTORS

The Saskatchewan Government Growth Fund V Ltd. continued to be profitable, earning over \$415,000 in 2000. Retained earnings now exceed \$1.2 million.

During 2000 we received \$250,000 from each of nine subscribers, bringing the total number to 109. There are twenty-two additional subscribers who have yet to pay their full amount.

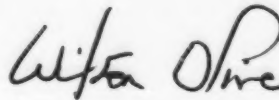
Over \$12.1 million was invested in eligible companies during the year. Unfortunately, this pace of investment was not sufficient to meet the requirements of the Immigrant Investor Program, which is to invest 70% of an investor's capital within nine months of receipt. In order to meet the minimum holding period of five years, also a requirement under the Immigrant Investor Program, a number of investors will have the maturity date of their promissory note extended. The Board of Directors is concerned about this situation and is committed to eliminating the problem as soon as practicable, but no later than June 30, 2002.

On October 1, 2000 SGGF III and the Saskatchewan Government Growth Fund Management Corporation ("SGGFMC") entered into a contract with Crown Capital Partners Inc. ("CCP"), a wholly-owned subsidiary of Crown Life Insurance Company, Inc., to provide administrative and investment management services to the Fund and SGGFMC. Under this arrangement all the employees of SGGFMC became employees of CCP or Crown Life.

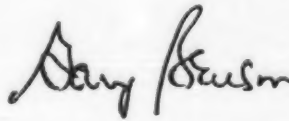
Together with employees of Crown Life, CCP is able to provide more resources and additional investment expertise.

In conducting its business the Board of Directors held eleven meetings in person and eleven by teleconference. In December, John Johns and Alphonse Pasloske retired at the end of their three years terms. We thank them for their years of dedicated service. Darrel Cunningham, Grant Scharfstein and Wilson Olive joined the Board at the end of 2000. Mr. Olive was elected Chairperson.

Our main focus in 2001 will be to place approximately \$2.1 million in eligible businesses on behalf of our existing immigrant investors and to receive and invest the capital from the twenty-two subscribers referred to earlier.



**Wilson Olive**  
Chair



**Gary K. Benson**  
President



The following are company profiles of investments held during 2000, including the approved investment level and a brief description of each company's operations.

## INVESTMENT PROFILES

### **FarmGro Organic Foods Inc.**

*\$1,250,000 Loan*

FarmGro Organic Foods, located outside Regina, Saskatchewan, is an organic flour milling, cleaning and bagging facility for organic grains, specialty crops and seeds.

### **Herc Oil Corporation**

*\$1,500,000 Common shares*

Herc Oil Corporation, headquartered in Regina, Saskatchewan, operates in the southeast part of the province and is engaged in the exploration for and development of crude oil producing properties. During the year SGGF converted its debt position into common shares.

### **Master Manufacturing**

*\$750,000 Loans*

The company, located in Moose Jaw, Saskatchewan, manufactures a broad range of pre-engineered all-steel buildings and building components.

### **Pelorus Navigation Systems Inc.**

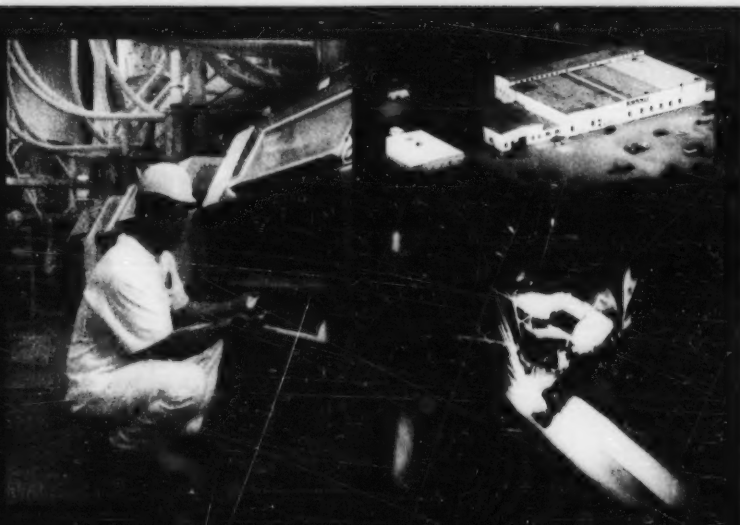
*\$500,000 Loan*

Pelorus is a Saskatoon based company that develops advanced airport navigation landing systems using the global positioning system (GPS). It markets its product to airports around the world.

### **Points North Digital Technologies Inc.**

*\$1,321,750 Common shares*

Points North Digital, located in Saskatoon, Saskatchewan, is a travel technologies company involved in travel information systems development. In addition, its assets include Canada's third largest retail travel agency network. The company's shares trade on the Canadian Venture Exchange. Effective January 2, 2001 the company changed its name to Peragis Inc.



**617275 Saskatchewan Ltd.**

**\$11,182,487 Loans**

The company, located in Regina, Saskatchewan, purchases equipment for lease to Saskatchewan Crown corporations.

**101005716 Saskatchewan Ltd.**

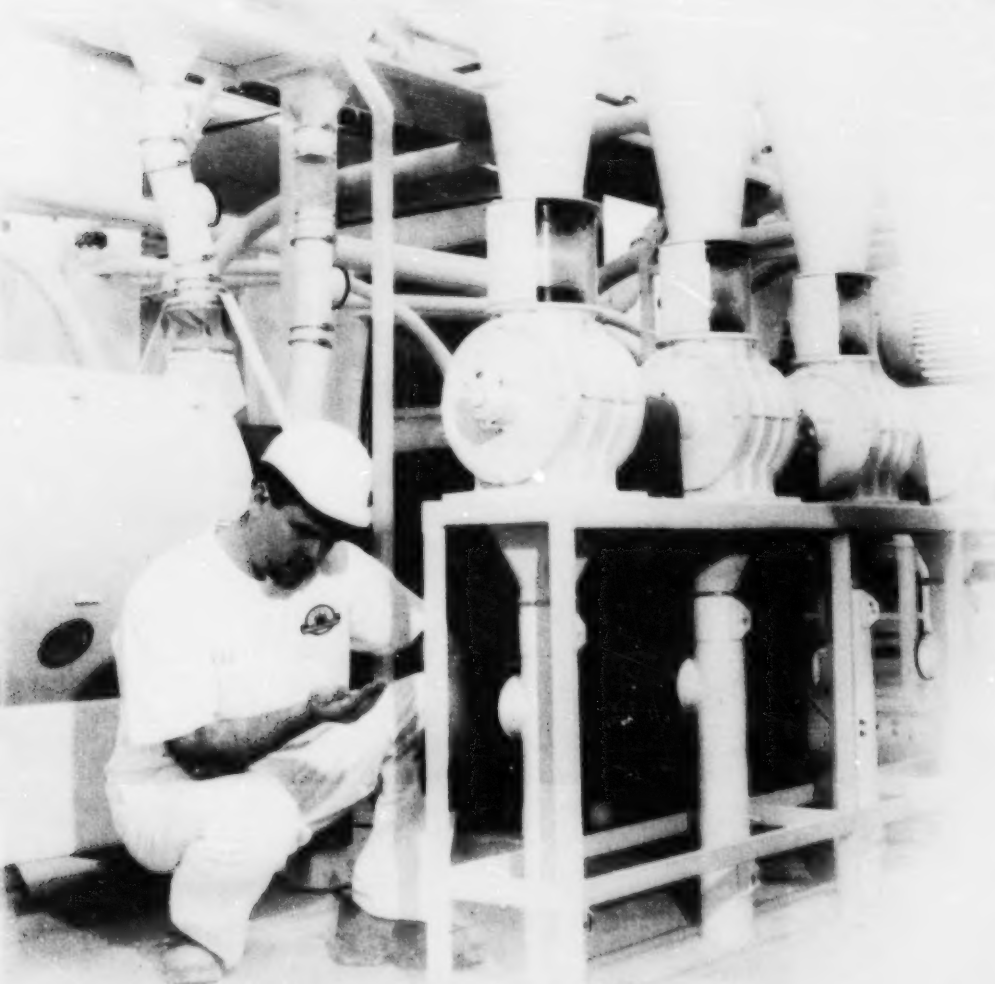
**\$826,286 Loan**

101005716, located in Regina, Saskatchewan, purchases equipment for lease to private corporations.

Pelorus Navigation Systems Inc.

Point North Digital Technologies Inc.

101-04172/



**SASKATCHEWAN GOVERNMENT GROWTH FUND V (1997) LTD.**



## MANAGEMENT DISCUSSION AND ANALYSIS

SCGF V ended the year with an accumulated surplus of \$1.3 million, an increase of \$415,000 over 1999.

The fund was focused on two main areas during the year; attracting the full subscription amount from each of the subscribers to the fund as well as continued investment of this capital in Saskatchewan businesses.

The investment policy of the fund is to invest up to 50% of the subscription proceeds raised in low risk infrastructure loans, up to 30% in small and medium-sized Saskatchewan enterprises (SMEs) and the remainder in short term debt instruments.

### Investor Activities

To December 31, 2000, 109 (1999 - 103) full subscriptions had been received by the fund with 22 (1999 - 32) additional subscribers yet to complete their subscription requirements. Of the 109 full subscriptions, 102 (1999 - 75) investors have been issued Notes. A total of 4 (1999 - 5) subscribers withdrew from the fund during the year.

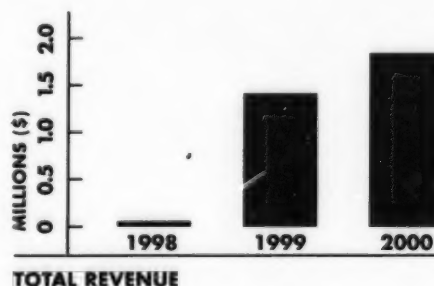
A total of twenty-seven (27) Notes were issued in 2000 compared to seventy-five (75) in 1999. The balance of investors' funds is recorded as subscription deposits pending Note issuance as described in the Confidential Offering Memorandum.

Cash from divestments will be used to redeem Notes as they mature. However, a portion of the investments held by SCGF V are of such a nature that the timing of and value at liquidation cannot be predicted with absolute certainty. While at the present time SCGF V does expect to repay the Notes

in full when they mature, there is a risk that the fund will encounter difficulty in liquidating investments at an amount close to fair value at the time required to redeem the Notes.

Effective January 1, 2000, a variable rate escrow and Note interest structure was introduced in order to facilitate continued financing of investor subscriptions. An investor's escrow and Note interest rate is determined at the time of full subscription and remains constant over the term of their investment.

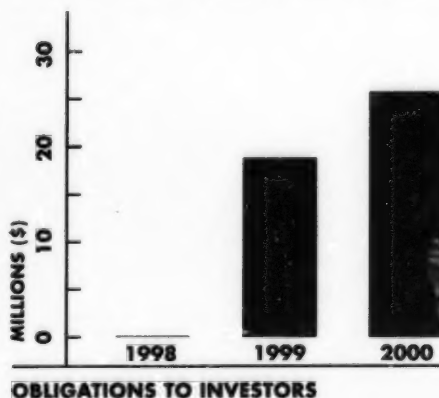
In accordance with the terms of the offering documents and amendments for SCGF V, all investors with a Note outstanding at December 31, 2000 were paid Note interest for the year.



### Investment Activities

In 2000, the board of directors approved a total of \$11.6 million of investment including new investments in three businesses and one follow-on investment in a company already in the portfolio. In 1999 \$3.2 million was approved for investment in three business.

A total of \$12.2 million, including 2000 approvals and funds committed in 1999, was invested in eligible businesses during the year. This was comprised of \$2.0 million (17%) invested in small and medium-sized enterprises (SMEs) and \$10.2 million (83%) in low risk infrastructure loans. This compares to 1999 when all of \$3.8 million invested was in SMEs.



To December 31, 2000 a total of \$16.3 million of investment has been made. This is made up of \$10.2 million of low-risk infrastructure loans and \$6.1 million of SME investment (54% debt and 46% equity).

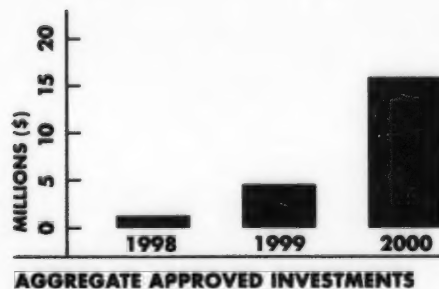
Income from investments of \$914,000 is up significantly over 1999 when only \$267,000 was earned. This reflects the higher level of investment in 2000 compared to 1999.

### Operating Activities

A portion of the capital raised from investors must be held in the form of liquid securities. There are also excess funds held while awaiting investment in eligible businesses. Interest earned on these funds is down marginally from 1999 due to lower cash balances during the year. These revenues are used to pay for the ongoing operating costs of the fund and to provide investors with a nominal return while their subscriptions are in escrow.

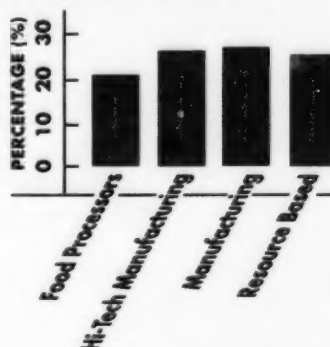
Effective October 1, 2000, the administration and investment advisory services previously provided to SCCFV by SCCF Management Corporation were contracted out to a fund manager. The fund manager is paid a monthly fee for its services and will receive a share of the net profits, if any, of the fund after all liabilities, including investor obligations, of the fund have been paid.

Administration costs reflect expenditures related to the ongoing operations of the fund. These costs are up significantly over 1999 and reflect the increased time spent on investment activities in 2000.



Included in administration costs is a \$285,800 provision (1999 - \$34,400) for future fees payable to the fund manager and investment advisors under the terms of their respective agreements with SCCF V. The advisors' fees are payable upon liquidation of their portfolio under management and upon the achievement of certain performance targets.

### DISBURSED BY INDUSTRY



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Saskatchewan Government Growth Fund V (1997) Ltd. have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include some amounts based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

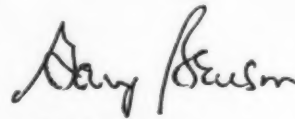
Deloitte & Touche, the corporation's independent auditors, have examined the financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all financial information is relevant,

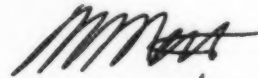
reliable and accurate and that all transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and ultimately responsible for reviewing and approving these financial statements.

On behalf of management,



**Gary K. Benson**  
President



**Mike Merth, CA, CMA**  
Crown Capital Partners Inc.



## AUDITORS' REPORT

To the Shareholders and Investors of Saskatchewan Government Growth Fund V (1997) Ltd.:

We have audited the Consolidated Statement of Financial Position of Saskatchewan Government Growth Fund V (1997) Ltd. as at December 31, 2000, and the Consolidated Statement of Operations and Retained Earnings and Consolidated Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and

disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

**Chartered Accountants**  
January 31, 2001

FormGro Organic Foods Inc.

Mosier Manufacturing

Ponts North Digital Technologies Inc.

## FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V (1997) Ltd.  
(Incorporated under The Business Corporations Act of Saskatchewan)  
Consolidated Statement of Financial Position  
As at December 31

|  | 2000 | 1999 |
|--|------|------|
|--|------|------|

### Assets

|                                        |                      |                      |
|----------------------------------------|----------------------|----------------------|
| Cash and cash equivalents              | \$ 8,831,003         | \$ 18,877,090        |
| Short term investments (Note 4)        | 3,500,000            | 3,500,000            |
| Accounts receivable and accrued income | 218,796              | 110,241              |
| Investments (Note 5)                   | 13,729,251           | 3,602,604            |
| Equipment on operating leases (Note 6) | 1,827,941            | -                    |
| Deferred costs (Note 7)                | 1,857,865            | 2,136,159            |
|                                        | <u>\$ 29,964,856</u> | <u>\$ 28,226,094</u> |

### Liabilities and Shareholders' Equity

|                                                   |                      |                      |
|---------------------------------------------------|----------------------|----------------------|
| Accounts payable and accrued liabilities (Note 8) | \$ 411,070           | \$ 97,512            |
| Commissions payable                               | 480,000              | 497,500              |
| Accrued interest payable to investors             | 19,228               | 61,973               |
| Subscription deposits (Note 9)                    | 2,295,333            | 7,974,899            |
| Obligations to investors (Note 10)                | 25,500,000           | 18,750,000           |
|                                                   | <u>28,705,631</u>    | <u>27,381,884</u>    |
| Share capital (Note 11)                           | 1,003                | 1,000                |
| Retained earnings                                 | 1,258,222            | 843,210              |
|                                                   | <u>1,259,225</u>     | <u>844,210</u>       |
|                                                   | <u>\$ 29,964,856</u> | <u>\$ 28,226,094</u> |

Commitments (Note 16)

See accompanying notes to financial statements

On behalf of the Board:

*Walter Oliva*

Director

*G. Hertzler*

Director



Saskatchewan Government Growth Fund V (1997) Ltd.  
 Consolidated Statement of Operations and Retained Earnings  
 For the Year Ended December 31

**Revenues**

|                                                                 |                  |                  |
|-----------------------------------------------------------------|------------------|------------------|
| Interest from cash, cash equivalents and short term investments | \$ 984,560       | \$ 1,017,637     |
| Income from investments                                         | 835,954          | 267,017          |
| Lease revenue                                                   | 78,274           | -                |
| Other income                                                    | 3,000            | 148,666          |
|                                                                 | <u>1,901,788</u> | <u>1,433,320</u> |

**Expenses**

|                                                      |                  |                |
|------------------------------------------------------|------------------|----------------|
| Administration (Note 13)                             | 641,446          | 233,458        |
| Interest on subscription deposits                    | 44,401           | 260,568        |
| Interest on obligations to investors                 | 364,409          | 60,585         |
| Amortization of equipment assets on operating leases | 50,726           | -              |
| Amortization of deferred costs                       | 385,794          | 63,775         |
|                                                      | <u>1,486,776</u> | <u>618,386</u> |

|                                             |                            |                          |
|---------------------------------------------|----------------------------|--------------------------|
| <b>Net income</b>                           | <b>415,012</b>             | <b>814,934</b>           |
| <b>Retained earnings, beginning of year</b> | <b>843,210</b>             | <b>28,276</b>            |
| <b>Retained earnings, end of year</b>       | <b><u>\$ 1,258,222</u></b> | <b><u>\$ 843,210</u></b> |

See accompanying notes to financial statements

Reflexus Navigation Systems Inc.

FarmGro Organic Foods Inc.

Master Manufacturing

Saskatchewan Government Growth Fund V (1997) Ltd.  
Consolidated Statement of Cash Flows  
For the Year Ended December 31

**Cash flows from operating activities**

|                                                                    |                |                  |
|--------------------------------------------------------------------|----------------|------------------|
| Net income                                                         | \$ 415,012     | \$ 814,934       |
| Adjustments:                                                       |                |                  |
| Amortization of deferred costs                                     | 385,794        | 63,775           |
| Amortization of equipment on operating leases                      | 50,726         | -                |
| Net change in non-cash balances<br>related to operations (Note 14) | 37,258         | (1,421,365)      |
| Cash flows from operating activities                               | <u>888,790</u> | <u>(542,656)</u> |

**Cash flows from investing activities**

|                                           |                     |                    |
|-------------------------------------------|---------------------|--------------------|
| Purchase of short term investments        | -                   | (3,500,000)        |
| Disbursements on investments              | (10,300,280)        | (3,778,972)        |
| Repayments from investments               | 173,633             | 176,368            |
| Purchase of equipment on operating leases | (1,878,667)         | -                  |
| Cash flows from investing activities      | <u>(12,005,314)</u> | <u>(7,102,604)</u> |

**Cash flows from financing activities**

|                                      |                  |                   |
|--------------------------------------|------------------|-------------------|
| Proceeds from note subscriptions     | <u>1,070,437</u> | <u>17,203,897</u> |
| Cash flows from financing activities | <u>1,070,437</u> | <u>17,203,897</u> |

|                                        |                     |                  |
|----------------------------------------|---------------------|------------------|
| <b>Net (decrease) increase in cash</b> | <b>(10,046,087)</b> | <b>9,558,637</b> |
|----------------------------------------|---------------------|------------------|

|                                                         |                   |                  |
|---------------------------------------------------------|-------------------|------------------|
| <b>Cash and cash equivalents,<br/>beginning of year</b> | <b>18,877,090</b> | <b>9,318,453</b> |
|---------------------------------------------------------|-------------------|------------------|

|                                                   |                     |                      |
|---------------------------------------------------|---------------------|----------------------|
| <b>Cash and cash equivalents,<br/>end of year</b> | <b>\$ 8,831,003</b> | <b>\$ 18,877,090</b> |
|---------------------------------------------------|---------------------|----------------------|

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| Interest paid during the year | <u>\$ 451,554</u> | <u>\$ 262,355</u> |
|-------------------------------|-------------------|-------------------|

See accompanying notes to financial statements

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Status of the corporation

Saskatchewan Government Growth Fund V (1997) Ltd. ("SGGFV") was incorporated in August 1997 under The Business Corporations Act of Saskatchewan and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, SGGFV was established to raise \$35,000,000 through a note offering. Each note is a variable rate (1.5% to 3.5%), unsecured, subordinated debt instrument with a cost of \$250,000, redeemable in five years provided that 70% of the proceeds are maintained in eligible investments. SGGFV commenced commercial operations in 1998 and achieved its minimum offering of 14 investors in December 1998. The marketing period for SGGFV ended on March 31, 1999.

Under the terms of the Confidential Offering Memorandum ("Memorandum"), SGGFV is required to invest in Saskatchewan based businesses which have assets, including associated companies, of less than \$35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGFV or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the debt instruments.

### 2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

#### Consolidation

The consolidated financial statements include the accounts of SGGFV, 617275 Saskatchewan Ltd. ("617275"), on a proportionate basis and those of 101005716 Saskatchewan Ltd. ("101005716").

617275 is an entity that is jointly controlled by SGGFV and other SGGF fund companies. 617275 was created to be an eligible business under the guidelines of the IIP. Loans from SGGFV to 617275 are used to purchase infrastructure-related assets that are leased to Saskatchewan Crown corporations under various operating leases. Principal and interest payments due under the loans to 617275 match the lease payments due under the operating leases.

101005716 is an entity controlled by SGGFV. 101005716 was created to be an eligible business under the guidelines of the IIP. The loan from SGGFV to 101005716 is used to purchase assets that are leased to a private business under an operating lease. Principal and interest payments due under the loan to 101005716 match the lease payment due under the operating lease.

#### Investments

Investments include debt and equity investments in private and public companies. Investments, other than publicly traded shares, are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned. The fair value of investments in private companies is not determinable and therefore has not been disclosed.

Investments in shares having quoted market values, and which are traded on a recognized exchange, are recorded at the lower of cost and average closing market price for the last 20 days of the year, on an individual basis. Unrealized losses in the value of investments in publicly traded shares are recorded in the Consolidated Statement of Operations and Retained Earnings, in the allowance for unrealized losses.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.



There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF V has significant influence are not consolidated.

**Equipment on operating leases**

Equipment on operating leases is recorded at cost. When equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Retained Earnings.

Equipment on operating leases is amortized over its estimated useful life on a basis that matches the principal repayments under the related loans.

**Deferred costs**

Deferred costs include consulting, legal, administrative, accounting, general and printing costs associated with SGGF V's offering. Commissions paid or payable on subscriptions received have also been deferred. Deferred costs, including commissions, are amortized over five years from date of note issuance.

**Commissions payable**

According to the terms of marketing agreements entered into by SGGF V, a commission is legally payable to the independent marketing agents selling the notes upon receipt by SGGF V of the note subscription deposit and all required documentation. The commission is subject to a holdback pending issuance of the investor's immigrant visa.

**Accrued interest payable to investors**

SGGF V accrues interest on note subscription deposits from the date of deposit to the date of note issuance. Investors earn interest at a rate between one and one-half percent (1.5%) and three and one-half percent (3.5%) per annum. The rate is determined at the time of note subscription deposit.

**Obligations to investors**

Obligations to investors represent the notes issued to investors of SGGF V. Interest on notes is accrued at an annual rate between one and one-half percent (1.5%) and three and one-half percent (3.5%) from the date of note issuance. The rate is determined at the time of note subscription deposit. Interest is paid annually on December 31 and at maturity.

**3. Provisions of the IIP****70% investment requirement**

SGGF V is required to invest at least 70% of each note subscription deposit no later than nine months from receipt of the note subscription deposit.

**Minimum holding period and maturity of the note**

The five year term (minimum holding period) of each note will commence on its investment date, being the date when at least 70% of the note subscription deposit is invested in eligible businesses. Each note will mature five years from its investment date, provided SGGF V maintains at least 70% of the note subscription deposit continuously invested in the active business operations of eligible businesses for five years following the investment date. The IIP contains provisions which require that the five year term to maturity of a note be extended if, and for so long as, a minimum of 70% of the note subscription deposit ceases to be invested in the active business operations of eligible businesses.

**Eligible businesses**

One criteria of investment is the requirement that SGGF V invest in businesses with total assets of \$35 million or less, including associated companies.

#### 4. Short term investments

Included in short term investments is a \$2,000,000 (1999 - \$2,000,000) term deposit, maturing June 11, 2001, with an interest rate of 6.10%. Accrued interest to December 31 is \$67,667 (1999 - \$59,085).

Included in short term investments is a \$1,500,000 (1999 - \$1,500,000) term deposit, maturing September 6, 2001, with an interest rate of 5.92%. Accrued interest to December 31 is \$28,387 (1999 - \$25,456).

#### 5. Investments

|        | 2000                 | 1999                |
|--------|----------------------|---------------------|
| Debt   | \$ 12,980,470        | \$ 3,553,972        |
| Equity | 748,781              | 48,632              |
|        | <u>\$ 13,729,251</u> | <u>\$ 3,602,604</u> |

Equity investments include publicly traded shares at a cost of \$748,781 (1999 - \$48,632), with an aggregate market value of \$1,162,098 (1999 - \$104,440).

During the year, investments increased as follows:

|                            | 2000                 | 1999                |
|----------------------------|----------------------|---------------------|
| Balance, beginning of year | \$ 3,602,604         | \$ -                |
| New investments            | 10,300,280           | 3,778,972           |
| Repayments                 | (173,633)            | (176,368)           |
| Balance, end of year       | <u>\$ 13,729,251</u> | <u>\$ 3,602,604</u> |

#### 6. Equipment on operating leases

|                               | 2000                | 1999        |
|-------------------------------|---------------------|-------------|
| Equipment on operating leases | \$ 1,878,667        | \$ -        |
| Accumulated amortization      | (50,726)            | -           |
|                               | <u>\$ 1,827,941</u> | <u>\$ -</u> |

As described in Note 2, 617275 is jointly controlled by SGGF V and 101005716 is controlled by SGGF V. SGGF V is therefore, associated with each of 617275 and 101005716. 617275 and 101005716 are ineligible businesses because the total assets of SGGF V, 617275 and 101005716 are greater than \$35 million. SGGF V will take steps to disassociate itself from 617275 and 101005716.

#### 7. Deferred costs

Deferred costs have been recorded net of accumulated amortization of \$449,569 (1999 - \$63,775).

#### 8. Accounts payable and accrued liabilities

Included in accrued liabilities is a \$52,701 (1999 - \$34,395) provision for future fees payable to various investment advisors under the terms of their respective investment services agreements with SGGF V. These amounts are payable to the investment advisors upon liquidation of their portfolio under management and upon achievement of certain performance targets.

Included in accrued liabilities is a \$267,450 (1999 - \$nil) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF V. This amount is based on the retained earnings of SGGF V and payable to the fund manager only upon redemption of all notes and satisfaction of all other liabilities of the fund.

#### 9. Subscription deposits

Subscription deposits are reclassified to obligations to investors upon note issuance.

## 10. Obligations to investors

Notes – 1.5% to 3.5% unsecured promissory notes.

The obligation at December 31 is comprised of:

|                             |       | 2000                 | 1999                 |
|-----------------------------|-------|----------------------|----------------------|
| 100 notes (1999 – 75 notes) | 1.50% | \$ 25,000,000        | \$ 18,750,000        |
| 2 notes                     | 2.60% | 500,000              | -                    |
| 102 notes (1999 – 75 notes) |       | <u>\$ 25,500,000</u> | <u>\$ 18,750,000</u> |

At December 31, 2000, SCGFV has not met the 70% investment requirement for a number of notes that have been issued. As a result, the minimum five-year holding period for those investors that hold these notes has not yet commenced.

The following is the estimated redemption schedule for note repayments under the terms of the Memorandum for the year ended December 31:

|      |                      |
|------|----------------------|
| 2004 | \$ 4,750,000         |
| 2005 | 16,750,000           |
| 2006 | 4,000,000            |
|      | <u>\$ 25,500,000</u> |

## 11. Share capital

The authorized common share capital of SCGFV at December 31 is:

Class A common shares – an unlimited number of voting common shares. Holders of the Class A common shares are not entitled to receive dividends.

Class B common shares – an unlimited number of voting common shares. Holders of the Class B common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

|                             | 2000            | 1999            |
|-----------------------------|-----------------|-----------------|
| 1,000 Class A common shares | <u>\$ 1,000</u> | <u>\$ 1,000</u> |

## 12. Financial instruments

SCGFV's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk. These risk factors may impact upon SCGFV's ability to repay its obligations to investors at maturity.

### Market Risk

Market risk faced by SCGFV is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the business in which SCGFV invests. Some of the companies in which SCGFV invests are dependent upon a single product or industry. SCGFV manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

### **Credit Risk**

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF V restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such investees to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SGGF V conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its investees on an on-going basis. In addition, some investees operate in and export to other provinces or international markets thereby mitigating this risk.

### **Interest Rate Risk**

Interest rate risk reflects the risk that SGGF V's earnings will decline due to fluctuations in interest rates. SGGF V manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its obligations to investors.

### **Liquidity Risk**

Liquidity risk is the risk that SGGF V will encounter difficulty in liquidating its investments at an amount close to fair value at the time it is required to redeem its obligations to investors. Due to the nature of some of SGGF V's investments, the timing of cash flows from its investments may not exactly match with the payments owing under SGGF V's obligations to investors. SGGF V carefully monitors the duration of its investments. However, these timing differences may require SGGF V to reduce or delay the payments owing on its obligations to investors at maturity.

### **Measurement Uncertainty**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Consolidated Statement of Operations and Retained Earnings in the period in which they become known.

### **Fair Value – Investments**

There is no active secondary market for many of the investments in which SGGF V invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

### **Fair Value – Obligations to Investors**

Obligations to investors represent the capital invested by immigrant investors in SGGF V. In addition to earning a nominal return on their capital, their investment in SGGF V helps satisfy a portion of their visa requirements under the IIP. Each investment in SGGF V is irrevocable, except in the case of a visa refusal, for a minimum period of five years. Therefore, no secondary market for the obligations exists. Due to the unique features associated with obligations to investors, the calculation of a fair value with appropriate reliability is impractical. The risk factors that impact the fair value of investments, as described above, will also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.



### 13. Administration

Under the terms of a ten year Management Agreement, expiring in 2008, between SGGF V and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF V with the assistance of various investment advisors and, beginning October 1, 2000, a fund manager to perform fund administration and due diligence, monitoring and liquidation of investments. SGGF Management Corporation does not guarantee the financial performance of SGGF V. All services provided to SGGF V are charged on a fee for service basis. The breakdown of costs is as follows:

|                             | 2000              | 1999              |
|-----------------------------|-------------------|-------------------|
| Investment advisors         | \$ 57,499         | \$ 56,561         |
| Fund manager fees           | 120,495           | -                 |
| Fund manager profit share   | 267,450           | -                 |
| Salaries and benefits       | 113,138           | 90,051            |
| General administration      | 49,618            | 67,559            |
| Directors fees and expenses | 8,211             | 6,716             |
| Legal and professional      | 25,035            | 12,571            |
|                             | <u>\$ 641,446</u> | <u>\$ 233,458</u> |

Included in investment advisors is a \$18,306 (1999 - \$34,395) provision for future fees payable to an investment advisor under the terms of its investment services agreement with SGGF V. This amount is payable to the investment advisor upon liquidation of their portfolio under management and upon achievement of certain performance targets.

Fund manager profit share is a provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF V. This amount is based on the retained earnings of SGGF V and payable to the fund manager only upon redemption of all notes and satisfaction of all other liabilities of the fund.

### 14. Net change in non-cash balances related to operations

|                                             | 2000             | 1999                  |
|---------------------------------------------|------------------|-----------------------|
| Accounts receivable and<br>accrued income   | \$ (108,555)     | \$ (110,241)          |
| Deferred costs                              | (107,500)        | (1,619,934)           |
| Accounts payable and<br>accrued liabilities | 313,558          | 72,512                |
| Commissions payable                         | (17,500)         | 177,500               |
| Accrued charges payable<br>to investors     | (42,745)         | 58,798                |
|                                             | <u>\$ 37,258</u> | <u>\$ (1,421,365)</u> |

### 15. Income taxes

Greater than 90% of the issued shares of SGGF V are owned by a provincial Crown corporation. Therefore, SGGF V is income tax exempt.

### 16. Commitments

The total of investments approved by the Board of Directors but not yet disbursed is \$5,000 (1999 - \$449,028).



### 17. Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan government controlled departments, agencies and corporations with which SCGF V is related. Account balances resulting from these transactions are included in the Consolidated Statement of Financial Position and are settled on normal trade terms.

As stated in Note 13, SCGF V is under a ten year Management Agreement with SCGF Management Corporation. Total fees paid or payable to SCGF Management Corporation during the year amounted to \$623,140 (1999 - \$199,063).

Other transactions with related parties are disclosed separately in the financial statements and notes thereto.

### 17. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.



## CORPORATE DATA

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Regina, Saskatchewan

Darrel Cunningham  
Farmer  
Lintlaw, Saskatchewan

Gerald Edwards  
Retired Businessman  
Regina, Saskatchewan

Joanne Forer  
Businesswoman  
Melfort, Saskatchewan

Gordon Mertler  
Businessman  
Regina, Saskatchewan

Keith Rissling  
Businessman  
Saskatoon, Saskatchewan

Grant Scharfstein  
Lawyer  
Saskatoon, Saskatchewan

### Officers

Wilson Olive, Chair  
Gary Benson, President

### Fund Manager

Crown Capital Partners Inc.  
Brian Johnson, Managing Partner  
Gary Benson, Partner Responsible for SGGF  
Chris Anderson, Partner  
Rob Duguid, Partner  
Chris Johnson, Partner  
Alan Rowe, Partner  
Chris Selness, Partner  
Stephan von Buttlar, Partner  
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Nancy Layman, Fund Administrator

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Master Manufacturing

Pointe North Digital Technologies Inc. FarmGro Organic Foods Inc.

